

2019 Virginia Telecommunication Initiative Program Guidelines and Criteria



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Program Guidelines

Background

The issue of rural telecommunications is not only one of technology; it is essential infrastructure for modern community and economic development. Many rural communities in Virginia evolved around industry sectors that have dramatically declined—rail, textile, manufacturing, resource extraction to name a few. Broadband availability promotes sustainability and competitive advantages of communities by providing access to health care, particularly through the introduction of telemedicine, improving the local workforce, providing increased educational opportunities through distance learning, and encouraging an entrepreneurial economy where new and existing home-based and small businesses are able to compete globally.

Rural communities increasingly struggle to retain existing businesses due to slow, sporadic, or limited broadband services. Since the vast majority of businesses rely on the internet to perform business functions such as online banking, e-commerce transactions (i.e. sales and on-line payment processing), market development (i.e. on-line ads, websites, bulk-email, etc.), customer service through on-line chat or emails and internal/external communication, broadband connectivity is vital to the performance of microenterprise, small, and large businesses. Broadband has gone from being a luxury to a necessity for full participation in the twenty-first century economy.

Program Description

The Virginia Department of Housing and Community Development (DHCD) will implement the Virginia Telecommunications Initiative (VATI). The goal of VATI is to enhance sustainability and competitive advantages of communities throughout the Commonwealth by preparing those communities to build, utilize, and capitalize on telecommunications infrastructure. Consistent with the enabling legislation, DHCD will award the \$4 million FY 2019 appropriation to eligible applicants to provide last-mile services to unserved areas of the State. DHCD reserves the flexibility to award any amount to eligible grantees, depending entirely on the quality and quantity of applications received.

The primary objective of VATI is to provide financial assistance to supplement construction costs by private sector broadband service providers, in partnership with local units of government to extend service to areas that presently are unserved by any broadband provider.

Eligible Applicant

Applications must be submitted by a unit of government (Towns, Cities, Counties, Economic Development Authorities/Industrial Development Authorities, Broadband/Wireless Authorities, Planning District Commissions, School Districts, etc.) with a private sector provider(s) as a co-applicant. Eligible projects will be owned and operated by the private sector co-applicant.

Selection Process

Grantees will be selected through a competitive application process. Application questions will be centered on the applicant's broadband needs, and a shovel-ready project(s) needing financial assistance to supplement construction costs. The applicant must demonstrate a readiness to proceed with the Virginia Telecommunication Initiative in a timely manner by the required deadline.

Program Requirements

- A. Unserved Areas
- B. Multiple Applicants
- C. Project Financing
- D. Internet Speeds
- E. Public Comment Period
- F. Challenge Process
- G. Project Implementation Deadline
- H. Suitable Organizational and Management Capabilities

Projects Must Only Address Unserved Areas

DHCD will award funding to applicants to provide last-mile services, including middle-mile networks, equipment, or other investments required to deliver last-mile service to Unserved areas of the State. Unserved serviceable units are defined as having broadband speeds of 10 Mbps download and 1 Mbps upload or less. In addition, a proposed project area is considered eligible if less than 10% of serviceable units are served from any other service provider as of the date of the application for the proposed project areas. Applicants are discouraged from including serviceable units that are served in a proposed project area as this will lower the applicants evaluation score.

Multiple Applications

An applicant may designate separate Service Areas through multiple applications where: (1) the applicant proposes to serve project area(s) that do not share a contiguous boundary AND are

wholly-located in different localities, OR (2) the applicant is proposing the use of different technology solutions for each area.

- A. Applications proposing Service Areas that span more than one locality will be considered regional
- B. Applications that propose use of more than one technology may be filed in the same application

Project Financing

Governor Northam has set a goal of providing financial assistance (gap financing) to supplement construction costs by private sector broadband service providers to extend service to areas that presently are unserved by any broadband provider. Consistent with that goal, applicants are encouraged to provide a co-investment. DHCD funding shall not exceed eighty-percent (80%) of the total project cost.

Internet Speed

VATI is designed to ensure that unserved areas of the Commonwealth have access to broadband speeds of at least 10 Mbps download and 3 Mbps upload. Projects proposing higher speeds in the most cost efficient manner will receive funding priority. In each case, the co-applicant will be required to demonstrate how their proposed technology solution will deliver the promised speeds in the proposed area once operational and how capacity will be aggregated in the network design.

Public Comment

All applicants are required to have solicited public comment for at least a fifteen (15) day period before submitting applications to DHCD. If an application is received that has not undergone at least a fifteen (15) day public comment period, it will not be considered for review.

Advertisement seeking Public Comment must be made in a non-legal, locally-circulated newspaper with the largest general circulation, as well as posted on the locality website and in public buildings. The notices must provide the address, phone number, TDD, and times for submitting comments and grievances to the applicant locality.

Challenge Process

DHCD will post electronic copies of all submitted applications to the agency website after the deadline for application submissions has passed and before project approval. Any private sector service provider wishing to request that DHCD deem a proposed project area as ineligible for VATI must submit a challenge with the information required in this section no later than 5:00 p.m. on January 15, 2019. DHCD will have 30 business days to validate a challenge. Applicants

will be notified if their proposed project area is being challenged. Applicants will have 15 business days from notification of a challenge to provide any additional information to DHCD. Providers choosing to challenge a submitted application must provide an affidavit including the following:

1. Submit their current FCC Form 477 or equivalent
2. The incumbent provider is required to provide minimum/max speeds provided by their company in the proposed project area
3. Percentage of serviceable units that they provide the speed within normal service interval.
4. Provide the number of actual customers receiving service within the normal service interval for the proposed project area. Provide the speeds those customers are able to receive. Proposed or planned service to a proposed project area will not demonstrate service for the purpose of a challenge to a proposed project.
5. The Department must receive all of the information referenced above or the challenge will be deemed invalid. The Department shall evaluate challenges that submit all of the information referenced above and determine if the challenger demonstrated that more than 10% of serviceable units in a proposed project area are served at speeds above 10/1 Mbps as of the date of the application. Multiple providers may challenge a proposed project and challenges will be aggregated by the Department to determine percentage of serviceable units served by current providers in a proposed project area.
6. The Department shall notify the applicant and challenger in writing if a challenge is deemed valid or invalid. All applications will remain in consideration until the received challenge evaluation has been completed.

Implementation Deadline

In accordance with the goals of VATI, the applicants must demonstrate that their projects will be completed within twelve months after contract execution with DHCD, and must detail major benchmarks and timing of anticipated achievement of each benchmark. All agreements must be executed no later than May 17, 2019.

Applicants Must Demonstrate Organizational and Management Capabilities

To participate in VATI, applicant and co-applicant must demonstrate suitable organizational and management capabilities. To determine whether applicants meet this criterion, applicants and private sector partner(s), must submit the following documents and/or attest to each of the following:

1. Documentation that proposed project area is unserved based on VATI criteria;
2. Private Service Provider must provide proof that they have filed an FCC Form 477 for two years prior to submission of application. If provider has not been required to submit an FCC Form 477 in previous years, equivalent data must be provided.

3. Projects must be fully-financed, through a combination of the total requested VATI funds, committed funds from the Applicant or Co-Applicant, and in-kind resources;
4. Co-applicants must have current assets, defined as the Applicant's total amount of available cash and equivalents, callable capital, in an amount no less than the proposed committed funding, or a commitment letter for financing in that amount at the time of application;
5. Applicants must be in good standing in performance of any and all existing Commonwealth of Virginia contracts, and compliance with all federal, state, and local laws

Proposal Due Date

Proposals are to be submitted on **December 14, 2018** by **11:59 p.m.** Please note that DHCD offices close at 5:00 p.m. Staff will not be available to provide CAMS technical assistance after 5:00 p.m.

Proposal Evaluation Criteria

- **Demonstrate Need** — Unserved areas are defined as having broadband speeds of less than 10 Mbps download and 1 Mbps upload.
 - Applicant must include the number of serviceable units passed that are unserved at the time of application.
 - **Take Rate, Adoption and Affordability-** Demonstrate commitment to ensuring customers take the service through best practices in broadband adoption plan and commitment to plan implementation and reporting if awarded.
 - **Meeting VATI Implementation Speeds**—Project must meet minimum implementation speed 10Mbps/3 Mbps and will receive additional points for higher speeds.
- **Project Readiness** — The applicant and co-applicant must demonstrate readiness and capacity to successfully implement the VATI grant. Leverage must be supportable and consistent with program guidelines. Local government co-applicants should demonstrate assistance to project that will lower overall cost and further assist in the timely completion of construction, including assistance with permits, rights of way, easement and other issues that may hinder or delay timely construction and increase cost.
- **Cost-Appropriateness** — Proposed construction costs must be cost-effective given the proposed technology and proposed speed.

Request for Proposal Questions

Project Area

1. Provide a map and description of the proposed geographic area including specific boundaries of the project area e.g.; street names, local and regional boundaries, etc. Explain why and how the project area(s) was selected. Attach a copy of your map(s).
2. Describe your outreach efforts to identify existing providers in the selected project area. Provide a map and list of all existing providers (fixed and wireless), and speeds offered within the project area. Provide a detailed explanation of how this information was compiled and the source(s).

Project Need/Description

3. To be eligible for VATI, applicants must demonstrate that the proposed project area(s) is unserved. An unserved area is defined as an area with speeds of 10 Mbps/1 Mbps or less, and with less than 10% service overlap within the project area. Describe the anticipated service overlap with current providers within the project area. **(up to 15 points)**
4. Describe population both in terms of absolute numbers within the project area and the eligible users that will be served by the proposed project. Describe the basis for these projections. **(up to 35 points)**
5. Indicate the numbers of businesses and community anchor institutions the proposed project will pass in the project area. **(up to 15 points)**
6. Provide the anticipated take rate for the proposed service within one year of project completion and describe the basis for the estimate. Also provide all actions to be implemented to reach the identified potential customers within the project area. **(up to 10 points)**
7. A statement whether the proposed project is targeting the “last mile,” “middle mile,” or “backbone” portion of the broadband infrastructure.

8. For wireless projects only: Please explain the ownership of the proposed wireless infrastructure. Will the wireless co-applicant own or lease the radio mast, tower, or other raised structure onto which the wireless infrastructure will be installed?
9. Provide a description of the broadband service to be provided, including estimated download and upload speeds, whether that speed is based on dedicated or shared bandwidth, and the technology that will be used. This description can be illustrated by a map or schematic diagram, as appropriate. **(up to 25 points)**
10. Provide a description of the network system design used to deliver broadband service from the network's primary Internet point(s) of presence to end users, including the network components that already exist and the ones that would be added by the proposed project. Also describe specific advantages of using this technology. Provide a detailed explanation on how this information was compiled and source(s). For wireless projects, provide a propagation map including the proposed project.

Project Readiness

11. What is the current state of project development (i.e. planning, preliminary engineering, final design, etc.)? Prepare a detailed project timeline or construction schedule, which identifies specific tasks, staff, contractor responsible(s), collection of data, etc., and estimated start and completion dates. The timeline should include all activities being completed within 12 months of contract execution with DHCD. **(up to 25 points)**
12. Matching funds: Provide a description of the matching funds the applicant and co-applicant will invest in the proposed project, (VATI funding cannot exceed 80% of total project cost). The Funding Sources Table should be completed. **(up to 15 points)**
 - i. For each element of matching funds in the description, indicate the type of match (cash, salary expense, or in-kind contribution).
 - ii. Identify whether the applicant or co-applicant is responsible for providing each element of the proposed matching funds.
 - iii. Include copies of vendor quotes or documented cost estimates supporting the proposed budget.

13. Applicant and Co-Applicant: A description of the public-private partnership involved in the project. Detail the local government assistance: Local government co-applicants should demonstrate assistance to project that will lower overall cost and further assist in the timely completion of construction, including assistance with permits, rights of way, easement and other issues that may hinder or delay timely construction and increase cost. **(up to 10 points)**
 - i. If the partnership is formalized in a written agreement provide a copy of that agreement.
 - ii. If the partnership has not been formalized, provide a short description of the project management role, financial commitment, or other contribution to the project for the applicant and co-applicant and any additional partners.
14. Identify key individuals, including name and title, who will be responsible for the management of the project. Describe their role and responsibilities for the project. Present this information in table format.

Project Budget and Cost Appropriateness

15. Applicants shall provide a detailed budget as to how the grant funds will be utilized, including an itemization of equipment and construction costs and a justification of proposed expenses. Expenses should be substantiated by clear cost estimates. **(up to 10 points)**
16. The cost benefit index is comprised of three factors: (i) state share for the total project cost, (ii) state cost per unit passed, and (iii) the internet speed. From these statistics, individual cost benefit scores are calculated. Finally, the three component scores are averaged together and converted to a 30 point scale to form a composite score. **(up to 30 points)**
17. A description of applicant and co-applicant's history or experience with managing grants and constructing broadband communications facilities in the Commonwealth of Virginia and elsewhere.

Service Provision

18. Describe the Internet service offerings to be provided after completion of this project and your price structure for these services. The service offerings should include all relevant tiers.

Additional Information

19. Any other equitable factor that the applicant desires to include.

Definitions

Anchor Institutions – Enterprises (i.e hospitals, libraries, etc.) that are rooted in their local communities by mission, invested capital, or relationships to customers, employees or vendors.

Business – An organization or entity that provides goods or services in order to generate profit.

Digital Subscriber Line (DSL) – A technology for bringing high-bandwidth information to homes and small businesses over ordinary copper telephone lines

Eligible Project Costs – Expenses eligible for reimbursement under the VATI grant

Fiber-to-the-Home (FTTH) – A network that delivers internet service over optical fiber directly to an end-user home, business, or other Unit

Fixed Wireless – Wireless devices or systems that are situated in fixed locations

Hybrid Fiber Coaxial (HFC) – A broadband network combining optical fiber and coaxial cable

Last-Mile – Components of a network that provide broadband service to end-user premises or devices through an intermediate point of aggregation (*e.g.*, remote terminal, fiber node, wireless tower, or other equivalent access point)

Middle Mile – Network components that provide broadband service from one or more centralized facilities (*e.g.*, the central office, the cable head-end, the wireless switching station, or other equivalent centralized facilities) to an Internet point of presence

Service Area – Refers to the geographic territory in which an applicant has proposed to provide service

Serviceable Units – Properties that are eligible for broadband service

Unserved – An area where broadband service is not available from a wireline or wireless facilities-based provider at advertised speeds equal 10 Mbps download /1 Mbps upload or less

List of Required Attachments

1. Derivation of Cost (Project Budget)
2. Project Management Plan
3. Supporting documentation for costs estimates
4. Map(s) of project area, including proposed infrastructure
5. Map(s) or schematic of existing broadband providers (inventory of existing assets)
6. Documentation of relationship between applicant and co-applicant (formal or informal)
7. Two most recent Form 477 submitted to FCC
8. Documentation for in-kind contributions, including value(s)
9. Documentation supporting project costs (i.e. vendor quotes)
10. Documentation of source of match funding
11. Documentation that proposed project area is unserved based on VATI criteria
12. Documentation that proposed project area is not designated for Connect America Funding (CAF)